Gymshark Ltd

Registered number: 08130873

Reports and financial statements

For the year ended 31 July 2021

GYMSHARK LTD

COMPANY INFORMATION

Directors	B Francis S Hewitt P Richardson (Resigned 31 March 2022) P Daw
Company secretary	C Reed
Registered number	08130873
Registered office	G.S.H.Q Blythe Valley Park 3 Central Boulevard Solihull West Midlands B90 8AB
Independent auditors	Ernst & Young LLP 2 St Peter's Square Manchester M2 3DF

GYMSHARK LTD

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2021

The Directors present their Strategic Report for the year ended 31 July 2021.

Principal activities and Review of business

The Company's principal activity during the year was the Direct to Consumer ("D2C") brand, selling fitness and conditioning apparel and associated accessories through e-commerce channels. The company is purpose-led and exists to unite the conditioning community.

The Company continued to grow its sales and profit throughout the year across all its key territories worldwide. The focus for the brand was to continue to produce on trend product and engaging content in a thoughtful and inclusive way for its stakeholders.

The period ended 31 July 2021 was marked by the effects of the Covid-19 pandemic which created challenges for all businesses but also opportunities for others, including D2C e-commerce brands. The Covid-19 pandemic caused a shift in consumer behaviour, accentuating the attraction of online shopping and promoting trends of wellness and casualisation. The company was well placed to benefit from these macro trends and to service its existing community and attract new customers.

KPIs

The Directors of the Company closely monitor a range of KPI's.

KPI's relating to growth and profitability include: Revenue, which has increased by 68% (2020: 48%) to £437.6 million (2020: £260.7 million); gross profit margin was 67% (2020: 68%); and profit before tax increased during the year from £30.2 million to £62.4 million.

Other KPI's that are monitored in relation to the year ended 31 July 2021 show that:

Orders increased by 52% (2020: 46%)
Units sold increased by 62% (2020: 49%)
Conversion increased by 84bps (2020: 20 bps)
International sales increased by 49% (2020: 44%)

* Conversion is calculated as the number of orders as a proportion of the number of sessions to the Gymshark website.

Principal risks and uncertainties

The market for fitness and conditioning apparel continues to be strong, with a broad range of competition amongst established sportswear brands, new entrants to the market, and fast fashion brands introducing "athleisure" wear and related accessories. Despite this, the company's brand strength, innovative designs, community focus and localised customer proposition, establishes Gymshark as a key player in the market, with huge potential and growth forecast in the future. The risks associated with trading overseas through the D2C model are managed through utilisation of in-house expert resource alongside key partnerships with third parties, with a focus on remaining agile and innovative.

Economic risk
The revenues and profitability of the company can be influenced by global macroeconomic factors, including duties and taxes imposed upon the company's imports and exports, any significant fluctuations in the cost of fuel used in transport and logistics or in raw materials prices and economic pressures on the consumer. These risks are mitigated as far as possible: for example, the company has distribution centres within the UK, EU, Canada and Australia to reduce import and export duties and to ensure the best possible customer proposition.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2021

Technology and cyber security risk
Technology within e-commerce advances quickly, alongside increasing customer expectations of website user experience and functionality. The company continues to invest heavily in the website, customer experience and IT infrastructure in the form of in-house resource and partnerships. The company also has invested in cyber security, hiring additional in-house expertise to manage the potential threats.

Data risk
Resource has been dedicated to ensuring compliance with GDPR regulations and other Data Protection and privacy regulations, in order to mitigate any risk arising from non-compliance, including penalties or reputational risk.

Covid-19
The senior management of the company are still managing the Covid-19 situation and constantly monitoring developments. Measures have been taken to ensure the safety of all staff, who during the period, have gradually been returning to the office. As the company's sales are through a D2C model, these have not been adversely affected by Covid-19.

Political risk
The associated risks of Brexit continued in 2021. The Directors have devised a strategy to ensure reasonable management and mitigation of these risks, with a distribution centre in mainland Europe and assessing the supply chain where necessary. The Directors continue to stay informed and updated where possible and obtain advice from internal and external resource to facilitate decision making when necessary to ensure any long term effects of Brexit are managed correctly.

Currency risk
The company transacts across a number of currencies, principally Sterling, Dollar and Euro. It has income and expenditure in numerous currencies, therefore providing a natural hedge sufficient to reduce exposure to currency fluctuations. Any surplus foreign currency is sold for Sterling at a time that is convenient for the cashflows of the business, considering the political and economic environment at the time of transaction.

Credit risk
The company's business is exclusively D2C online, whereby customers pay for their items at the time of order. This mitigates the risk of bad debts, and therefore the Directors consider this risk to be negligible. The risk around payment processors is also considered negligible as it is mitigated through the use of several providers, providing a natural hedge.

Liquidity risk
The company is profitable and cash generative with adequate working capital available. The risk around liquidity is managed through a strong banking relationship alongside the availability of securing financing if required for expansion, such as asset financing.

Directors' statement of compliance with Section 172(1)

S172(1) of the Companies Act sets out the duties of each Director of a company to act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of shareholders as a whole and in doing so, have regard to a number of broader matters which are set out below:

a) the likely consequences of any decision in the long term;
b) the interests of the company's employees;
c) the need to foster the company's business relationships with suppliers, customers and others;
d) the impact of the company's operations on the community and the environment;
e) the desirability of the company maintaining a reputation for high standards of business conduct;
f) the need to act fairly between the ultimate minority and majority shareholders of the company.

The directors' of Gymshark Limited make strategic decisions on behalf of the company and to manage the Company on a day to day basis. In making these decisions the directors will consider their legal duty and also the priorities and requirements of the shareholders of the parent company Gymshark Group Limited (formerly known as Clade Group Limited). The directors' meet monthly to discuss and prioritise actions to benefit the Company and its stakeholders.

a) *the likely consequences of any decision in the long term;*

The Directors' make strategic decisions in areas such as structure of the business, current product ranges, research and development, supply chain, sustainability, IT infrastructure, IT tools and key internal processes. In taking these decisions the Directors take into account local laws and regulations and customer and employee needs and the short term and long term interests of the company and its stakeholders.

The trading period for the company continued to be dominated by the effects on the business of Covid-19. In making decisions in reaction to the pandemic, the Directors had to consider the effect on our employees as a main priority but also on our suppliers to ensure that anything we decided to do did not have an adverse effect on them. Our view was that if we ensured the welfare of our staff and also protected as far as we could our suppliers this would help to protect the business so that when the pandemic was over we would be in a strong position. In making decisions during this period we wanted to be sure that we acted fairly and responsibly at all times. To that end we made a decision early in the pandemic not to furlough any staff, to pay our suppliers on time and also not to cancel orders due to covid, that had been placed with suppliers

b) the interests of the company's employees;

The Directors recognise that employee engagement and retention is one of the most important factors in the short term and long term success of the company. Gymshark is rapidly growing and we are building a community which is all about human connection and preparing for tomorrow. Our employees are a fundamental part of this community. The health and wellbeing of our employees is a priority and we promote personal growth at every opportunity. We know that if we look after our team, our team will look after our community and each other.

We have many communication channels with our employees including a weekly survey giving us real time engagement measures and feedback on what is and is not working and we respond to the feedback received. There are also Employee Resource Groups in place to help celebrate, educate and support employees to both drive change and make an impact.

There are also quarterly updates to all employees by the CEO and CFO, which covers a summary of important topics including company results, employee updates and wellbeing across Gymshark's various offices. All employees are encouraged to undertake training provided by the company which is relevant to them personally or their role at Gymshark.

c) the need to foster the Company's business relationships with suppliers, customers and others;

Interaction with our customers and community is mainly through various social media platforms. These are monitored constantly gauging feedback regarding Gymshark and its products but also topics that are important to the Gymshark community.

The Gymshark Sourcing teams work collaboratively with our suppliers to ensure that we only use approved suppliers who comply with guidelines such as those issued by the Fair Labour Association. Our suppliers are subject to a standards audit before they can become approved suppliers and also regular audit thereafter.

All suppliers are paid in full and in accordance with agreed terms. During the past two financial years, when much of the World was affected by Covid-19 restrictions, which affected trading, we did not cancel any orders due to Covid, that had been placed with our suppliers and ensured that they were paid in full, on time.

d) the impact of the company's operations on the community and environment;

The company encourages each office to support local and national charities through regular fundraising events. As stated earlier in this report the company did not furlough any staff over the past two years. A number of staff whose time was not fully occupied during this period volunteered to help deliver prescription medicines for the NHS. Gymshark employees are also encouraged to take their 'give back' day each year which allows employees to give back to charities and local communities.

The business continues to challenge itself on meaningful environmental targets including public commitments such as, we have committed to a 50% carbon reduction in products and 30% water reduction in products by 2030 as part of our involvement with Textiles 2030. We are also committed to use 100% recycled polyester from 2025.

e) the desirability of the Company maintaining a reputation for high standards of business conduct;

The values and the culture that the business want all to follow are very important for us to maintain our standards and reputation.

- Do the right thing. Our communities can count on us to be honest, trustworthy and genuine. We know where we're good, and we're honest where we're not, because our transparency earns trust. We'll stand and speak for our community and where you stand with is or not you can always be sure of our sincerity.
- Find the Gymshark way. We refuse to forget the garage mentality that made us ambitious, agile and disruptive.
- Put family first. Unconditionally. To go further, we go together.
- Be human. We are accessible, inclusive and humble. Our community is built on human connection. That's because we're as much a part of the community as everyone else. We share the same ability to win and the same vulnerability to lose.
- Be caring. This means being conscious of the world we live in, caring for those around us and being proactive to create positive change. Our world is far from a perfect place, but we can always try to make it one. The push for a better tomorrow – one of inclusivity, sustainability, wellbeing and beyond – will only stop when it's no longer needed.

If employees have issues or concerns about non-compliance with any policies, laws or regulations these can be raised in confidence.

f) the need to act fairly between the ultimate minority and majority shareholders of the company

Part of employee training comprises business ethics and reminds employees that the Directors require them to comply with the company's high standards of corporate liability. There is also a code of conduct that is sent to all new starters.

Until the investment by General Atlantic in September 2020, Gymshark Limited was a wholly owned subsidiary of Gymshark Holdings Limited. All shareholders in the parent company benefitted from the same rights, as set out in the Company's articles of association, and receive a regular update on the financial performance of the trading entities.

The interests of all shareholders were considered as part of the Board's decisions throughout the year.

Future developments

The Directors expect the performance of the Company to increase in the forthcoming year, including increasing revenue, orders and customer numbers. This is as a result of the Company continuing to expand the D2C model, with localised execution, alongside consumer demand for the brand and new, on trend products.

In early 2022, the Company finalised and completed a lease of retail premises in Regent Street, London. This exciting new venture, which will open in September 2022, will be a flagship store giving our customers not only a retail offering but also an opportunity to experience being part of the Gymshark community.

A restructuring plan was communicated to all employees in April 2022 and was designed to improve cross functional working, and to ensure efficiencies. Under this plan, approximately 120 job reductions are expected by the end of July 2022, subject to an appropriate consultation process. As part of the restructuring proposal, more than 100 new roles have been created and the business will seek to offer as many of these new roles to its current staff where it is appropriate to do so. This announcement represents a non-adjusting post-balance sheet event. The costs for this restructuring plan, subject to the consultation process, are estimated to be in the region of £2.5million and will be recognised in the accounts for the year ended 31 July 2022.

The Company's investment plans will continue in increasing resources, including over 100 new roles created as part of the restructuring plan and a further 100 roles required to run the retail store, as well as developing and retaining talent with a focus upon health and wellbeing. The Directors recognise the importance of employee wellbeing for the business and individual, therefore this is a focus for the Company in 2022 and beyond. Those that are subject to the redundancy consultation have been offered support in the form of; support to understand the redundancy process, access to support modules on change and resilience, access to business coaching, leadership support and our wellbeing hub (available to all employees) to include use of the 24/7 employee assistance programme, access to mental health first aiders and the free use of a wellbeing app.

Tangible developments are intended to provide world-class facilities to the Company to enable research and development and additional cutting-edge creative output. During the year the company invested £1,091k (2020: £544k) in R & D expenditure, alongside committing to capital investment in our newest and most impressive building in Blythe Valley Business Park, GSIQ, which opened in March 2022, where our product, data, technology, international and part of our brand team will be based. This building will truly cement our investment in becoming a 100 year brand through providing specialist space and rooms to allow product development.

This report was approved by the board on 9 May 22 and signed on its behalf:

B Francis
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JULY 2021

The directors present their report and the financial statements for the year ended 31 July 2021.

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), Financial Reporting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Disclosure of information in the strategic report

In preparing the Directors' report, the directors have complied with S414C (11) of the Companies Act 2006 by including certain disclosures required by S416(4) within the Strategic Report which are future developments, research and development and business relationships.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2021

Results and dividends

The profit for the year, after taxation, amounted to £48.9m (2020: £24.4m). The directors have recommended the payment of dividends totalling £Nil (2020: £2.6m).

Directors

The directors who served during the year were:

B Francis
S Hewitt
P Richardson (Resigned 31 March 2022)
P Daw

Employee involvement

The Directors support the participation of employees in the activities of the company, encourage employees to become involved in the pursuit of safety, efficiency and high performance, and provide employees with regular communication on the company's plans, performance and figures.

Disabled employees

The company gives full and fair consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate.

Donations

Charitable donations during the year totalled £163k (2020: £360k). There were no political donations.

Streamlined Energy and Carbon Reporting (SECR)

The information in relation to SECR is included within the consolidated financial statements of Gymshark Group Limited.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

As referred to in the Strategic Report, in January 2022 the company signed a lease of a retail premises on Regent Street, London. The lease liability of this premise is approximately £21.9m. A new £50m revolving credit facility loan agreement was signed in December 2021 that expires in December 2024. A restructuring plan was communicated to all employees in April 2022 which is expected to cost c.£2.5million. Included in the Future Developments paragraph is information about the restructuring, and the support offered to employees.

Going concern

The directors are required to assess the Company's ability to continue as a going concern for a period of at least 12 months from the date of the signing of the financial statements. The Company's going concern assessment considers the Company's principal risks and is dependent on a number of factors, including financial performance, continued access to borrowing facilities and the ability to operate the Company's borrowing facilities within its financial covenants. At 31 July 2021, the Company had net current assets of £83,779k (2020: £50,756k) and cash and cash equivalents of £43,325k (2020: £70,377k). The Company also has a £50m committed revolving credit facility ('RCF'), that expires in December 2024, which was negotiated in December 2021, as the previous RCF expired. The RCF has covenants measuring net leverage and interest cover, which are tested quarterly.

Due to continued Company profitability, the detailed review of the going concern assessment was focused around working capital management, in particular, the liquidity of the Company during the months preceding significant promotions, when the Company builds its inventory holding. The review included an assessment of the future funding requirements, based on trading continuing in line with current and future performance expectations and focused on the expected weekly cash flows and quarterly covenant compliance forecasts extending to 31 July 2023. This review modelled significant headroom on covenants and sufficient levels of cash to fund working capital management.

Consideration has also been given to plausible downside scenarios to determine the impact on profitability and future cash flows. A downside scenario considered revolved around future sales being below the projected levels in the base forecast period, including there being no increase in revenue compared to levels recorded in the financial year ended 31 July 2022 to date. In the 2022 financial year to date, revenue is tracking at over 20% ahead of the period ended 31 July 2021, therefore the scenario that sees revenue, and therefore profitability in the period to 31 July 2023 not increasing is considered unlikely. The impact of this scenario on cash flow demonstrated that the business would still have headroom on its covenants and sufficient liquidity to continue building up inventory holdings before the significant promotions.

The directors have also considered the impact of key inventory and non-inventory suppliers on going concern. Over the last 4 years the business has diversified by geography and by the number of inventory suppliers, so that there is not an over reliance on a single country or company for inventory. Major suppliers of goods or services not for resale were identified as key but no indications have been identified with respect to these companies ceasing to trade.

A reverse stress test scenario has also been modelled to assess the level of revenue reduction that would be required to cause a working capital issue. The likelihood of this scenario was then assessed. The review shows that the Company maintains borrowing headroom and continues to meet its covenants under the plausible downside scenario adopted, and that the reverse stress test scenario is implausible. It is acknowledged by the directors that the Company will seek further committed funding, as necessary, to fund short-term working capital in advance of entering any obligations to purchase inventory in advance of significant promotions.

The directors also considered and assessed that there were no significant events forecast beyond 31 July 2023 that would impact the going concern assessment. Therefore, the directors are satisfied that the Company will have sufficient ongoing facilities available throughout the forecast period used to assess the going concern assumption.

Based on their assessment, the directors believe the Company has adequate available resources to fund its operations for the foreseeable future, and not less than 12 months from the date of the signing of these financial statements, and so determine that it remains appropriate for the Company's financial statements to be prepared on a going concern basis.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2021

Auditors

Ernst & Young LLP were appointed as auditor for the 31 July 2021 year end.

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 9 May 22 and signed on its behalf.

B Francis
Director

Independent Auditor's Report to the Members of Gymshark Ltd

Opinion

We have audited the financial statements of Gymshark Ltd for the year ended 31 July 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 July 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 31 July 2023 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework and the relevant direct and indirect tax compliance regulations.
- We understood how Gymshark Ltd is complying with those frameworks by making enquiries of management, the ultimate parent's audit committee and the Company Secretary. We corroborated those enquiries through our review of Board minutes and noted that there was no contradictory evidence.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk assessment performed by management, understanding the controls in place to mitigate fraud and considering which areas may be most susceptible to the risk of management override. We identified revenue recognition as the principal fraud risk.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved using data analytic approaches to identify any unusual journal entries, including any in the revenue process and obtaining evidence that those journals are authorised, supported by appropriate documentation and have been accounted for appropriately. We also made enquiries of those charged with governance and those outside of the finance function as to whether there was any actual or suspected fraud. These procedures were designed to provide reasonable assurance that the group and parent company financial statements were free from material misstatement due to fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Jamie Dixon
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
9 May 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2021

	Note	2021 £000	2020 £000
Turnover	4	437,629	260,674
Cost of sales		(143,593)	(83,683)
Gross profit		294,036	176,991
Distribution costs		(93,184)	(59,994)
Administrative expenses		(139,311)	(86,412)
Operating profit	5	61,541	30,585
Interest receivable and similar income	9	1,278	-
Interest payable and similar expenses	10	(426)	(415)
Profit before tax		62,393	30,170
Tax on profit	11	(13,503)	(5,738)
Profit for the financial year		48,890	24,432

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2021 (2020: £NIL).

The notes on pages 15 to 37 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2021

	Note		2021 £000		2020 £000
Fixed assets					
Intangible assets	13		187		818
Tangible assets	14		26,133		12,959
			26,320		13,777
Current assets					
Stocks	16	60,289		28,233	
Debtors: amounts falling due within one year	17	58,631		8,035	
Cash at bank and in hand	18	43,325		70,377	
		162,245		106,645	
Creditors: amounts falling due within one year	19	(68,454)		(55,889)	
Provisions	23	(10,012)		-	
		(78,466)		(55,889)	
Net current assets			83,779		50,756
Total assets less current liabilities			110,099		64,533
Creditors: amounts falling due after more than one year	20		-		(3,488)
Provisions for liabilities					
Deferred tax	22	(882)		(1,022)	
Provisions	23	(304)		-	
			(1,186)		(1,022)
Net assets			108,913		60,023
Capital and reserves					
Profit and loss account	25		108,913		60,023
			108,913		60,023

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

9 May 22

B Francis
Director

The notes on pages 15 to 37 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2021

	Profit and loss account	Total equity
	£000	£000
At 1 August 2019	38,191	38,191
Comprehensive income for the year		
Profit for the year	24,432	24,432
Total comprehensive income for the year	24,432	24,432
Dividends	(2,600)	(2,600)
Total transactions with owners	(2,600)	(2,600)
At 1 August 2020	60,023	60,023
Comprehensive income for the year		
Profit for the year	48,890	48,890
Total comprehensive income for the year	48,890	48,890
At 31 July 2021	108,913	108,913

The notes on pages 15 to 37 form part of these financial statements.

1. General information

Gymshark Ltd is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales with the registered number 08130873. The address of the registered office is GSHQ, Blythe Valley Park, 3 Central Boulevard, Solihull, B90 8AB.

The nature of the Company's operations and principal activities are set out in the Strategic Report on page 1.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2. Accounting policies (continued)

2.2 Going concern

The directors are required to assess the Company's ability to continue as a going concern for a period of at least 12 months from the date of the signing of the financial statements. The Company's going concern assessment considers the Company's principal risks and is dependent on a number of factors, including financial performance, continued access to borrowing facilities and the ability to operate the Company's borrowing facilities within its financial covenants. At 31 July 2021, the Company had net current assets of £83,779k (2020: £50,756k) and cash and cash equivalents of £43,325k (2020: £70,377k). The Company also has a £50m committed revolving credit facility ('RCF'), that expires in December 2024, which was negotiated in December 2021, as the previous RCF expired. The RCF has covenants measuring net leverage and interest cover, which are tested quarterly.

Due to continued Company profitability, the detailed review of the going concern assessment was focused around working capital management, in particular, the liquidity of the Company during the months preceding significant promotions, when the Company builds its inventory holding. The review included an assessment of the future funding requirements, based on trading continuing in line with current and future performance expectations and focused on the expected weekly cash flows and quarterly covenant compliance forecasts extending to 31 July 2023. This review modelled significant headroom on covenants and sufficient levels of cash to fund working capital management.

Consideration has also been given to plausible downside scenarios to determine the impact on profitability and future cash flows. A downside scenario considered revolved around future sales being below the projected levels in the base forecast period, including there being no increase in revenue compared to levels recorded in the financial year ended 31 July 2022 to date. In the 2022 financial year to date, revenue is tracking at over 20% ahead of the period ended 31 July 2021, therefore the scenario that sees revenue, and therefore profitability in the period to 31 July 2023 not increasing is considered unlikely. The impact of this scenario on cash flow demonstrated that the business would still have headroom on its covenants and sufficient liquidity to continue building up inventory holdings before the significant promotions.

The directors have also considered the impact of key inventory and non-inventory suppliers on going concern. Over the last 4 years the business has diversified by geography and by the number of inventory suppliers, so that there is not an over reliance on a single country or company for inventory. Major suppliers of goods or services not for resale were identified as key but no indications have been identified with respect to these companies ceasing to trade.

A reverse stress test scenario has also been modelled to assess the level of revenue reduction that would be required to cause a working capital issue. The likelihood of this scenario was then assessed. The review shows that the Company maintains borrowing headroom and continues to meet its covenants under the plausible downside scenario adopted, and that the reverse stress test scenario is implausible.

It is acknowledged by the directors that the Company will seek further committed funding, as necessary, to fund short-term working capital in advance of entering any obligations to purchase inventory in advance of significant promotions.

The directors also considered and assessed that there were no significant events forecast beyond 31 July 2023 that would impact the going concern assessment. Therefore, the directors are satisfied that the Company will have sufficient ongoing facilities available throughout the forecast period used to assess the going concern assumption.

2. Accounting policies (continued)

2.2 Going concern (continued)

Based on their assessment, the directors believe the Company has adequate available resources to fund its operations for the foreseeable future, and not less than 12 months from the date of the signing of these financial statements, and so determine that it remains appropriate for the Company's financial statements to be prepared on a going concern basis.

2.3 Exemption from preparing statement of cash flows

Under FRS102 (section 1.12), the company is exempt from the requirement to present a statement of cash flows and related notes on the grounds that its ultimate parent company (Gymshark Group Limited) includes the company's cash flows in its own consolidated financial statements. This information is included in the consolidated financial statements of Gymshark Group Limited as at 31 July 2021 and these financial statements may be obtained from the registered office.

2.4 Exemption from preparing consolidated accounts

The Company has taken advantage of the exemption available under Section 400 of the Companies Act 2006 from preparing Consolidated Accounts, as it is a wholly owned subsidiary of Gymshark Group Limited, a company registered in the United Kingdom which itself prepares consolidated financial statements that are publicly available.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

All foreign exchange gains and losses and presented in the profit and loss account within Administrative expenses.

2. Accounting policies (continued)

2.6 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.8 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

The expected useful economic life of development costs are estimated based on business plans which set out the development plan and time to market for the associated project.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.9 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.10 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.11 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.12 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2. Accounting policies (continued)

2.14 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software and IT	-	2 - 5 years straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

2.15 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Land and buildings	- 2 - 10 years straight line
Plant and machinery	- 3 - 15 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2. Accounting policies (continued)

2.17 Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

2.18 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price. Cost is based on the cost of purchase on a first in, first out basis plus the cost of duty and freight to ship the product to the warehouses.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less and the impairment loss is recognised immediately in the profit or loss.

2.19 Trade and other debtors

Short term debtors are measured at transaction price, less any impairment. Loan receivables are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.20 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.21 Trade and other creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.22 Assets held under finance leases

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

2. Accounting policies (continued)

2.22 Assets held under finance leases (continued)

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

2.23 Provisions for liabilities

Provisions are recognised where the company has a present legal or constructive obligation, as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate of the obligation can be made.

2.24 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.25 Dividends

Equity dividends are recognised when a legally binding liability is established. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Below are the key sources of estimation uncertainty listed by management:

Stock obsolescence provision

Stock held at the balance sheet date is assessed for impairment by the directors. All stock which is considered out of season, succeeded by an updated product or considered to have quality concerns is written down to the lower of cost or net realisable value. Stock items with a cover of more than one year are reviewed for impairment and written down accordingly. During the year, stock write off to fair value less costs to sell totalled £1.8m (2020: £1.3m).

Refunds provision

Revenue from the sale of goods is recognised when the Company ships orders from the distribution centres. Payment of the transaction price is due immediately when the customer purchases the goods and it is the Company's policy to sell its products to the end customer with a right of return within 90 days. Therefore, a refund liability (included in creditors due within one year) is recognised for expected refunds in relation to sales made until the end of the reporting period. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method), and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Legal provision

When a known or likely claim is identified, management assesses the likelihood of the claim using both internal and external advisors and a provision is subsequently recognised where a settlement is probable. There are a number of possible outcomes to these claims, with the uncertainties including the stage of discussion with the plaintiffs and whether the cases settle in or outside of formal proceedings. The legal provision also takes post period end knowledge and outcomes into consideration. Management acknowledge that it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions utilised, could require a material adjustment to the carrying amount of the asset or liability affected.

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 £000	2020 £000
External sales	398,627	260,674
Intercompany sales	39,002	-
	437,629	260,674

A geographical analysis of the external revenue is as follows:

	2021 £000	2020 £000
United Kingdom	86,453	51,590
Rest of Europe	84,391	58,244
United States	179,574	119,432
Rest of the World	48,209	31,408
	398,627	260,674

Gymshark USA Inc. started selling directly to customers based in the USA during July 2021. Gymshark USA Inc. purchase stock from Gymshark Limited to service their customers.

5. Operating profit

The operating profit is stated after charging/(crediting):

	2021 £000	2020 £000
Amortisation of intangible assets	631	587
Depreciation of tangible assets	2,365	2,021
Foreign exchange differences	2,476	1,775
Buildings - operating lease rentals	1,085	1,049
R&D Expenditure	1,091	544

6. Auditors' remuneration

	2021 £000	2020 £000
Auditors' remuneration	130	45

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the consolidated accounts of the ultimate parent Company.

The prior year auditors' remuneration relates to amounts paid to the predecessor auditor.

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2021 £000	2020 £000
Wages and salaries	29,728	25,704
Social security costs	2,581	1,814
Cost of defined contribution scheme	962	663
	33,271	28,181

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Administrative staff	529	369
Management staff	12	8
	541	377

During the year, key management personnel were remunerated a total of £5.6m (2020: £7.32m).

8. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	2,218	5,678
Company contributions to defined contribution pension schemes	32	97
	2,250	5,775

During the year retirement benefits were accruing to 4 directors (2020 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £0.8m (2020 - £1.83m).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,500 (2020 - £28,000).

During the year several directors were transferred to be employed by Gymshark Group Limited.

9. Interest receivable

	2021 £000	2020 £000
Intercompany interest receivable	1,278	-

10. Interest payable and similar expenses

	2021 £000	2020 £000
Bank interest payable	2	217
Other loan interest payable	87	17
Intercompany interest payable	63	-
Finance leases and hire purchase contracts	42	103
Other interest payable	232	78
	426	415

11. Taxation

	2021 £000	2020 £000
Corporation tax		
Current tax on profits for the year	13,580	4,744
Adjustments in respect of previous periods	63	-
Total current tax	13,643	4,744
Deferred tax		
Origination and reversal of timing differences	182	994
Adjustments in respect of prior periods	(322)	-
Total deferred tax	(140)	994
Taxation on profit on ordinary activities	13,503	5,738

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit on ordinary activities before tax	62,393	30,171
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	11,855	5,732
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,234	1,445
Effect of qualifying donations	-	(68)
Under/(over) provision of tax expense relating to prior year R&D claim	-	124
Adjustments to current tax charge in respect of prior periods	63	(1,495)
Adjustments to deferred tax charge in respect of prior periods	(322)	-
Group relief for nil consideration	(110)	-
Employee share acquisition relief	(217)	-
Total tax charge for the year	13,503	5,738

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

	2021 £000	2020 £000
Dividends paid	-	2,600

13. Intangible assets

	Software & IT £000
Cost	
At 1 August 2020	1,431
Disposals	(25)
At 31 July 2021	1,406
Amortisation	
At 1 August 2020	613
Charge for the year	631
On disposals	(25)
At 31 July 2021	1,219
Net book value	
At 31 July 2021	187
At 31 July 2020	818

14. Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Assets under construction £000	Total £000
Cost				
At 1 August 2020	8,698	7,305	-	16,003
Additions	1,853	1,364	12,322	15,539
Disposals	(1)	(49)	-	(50)
At 31 July 2021	10,550	8,620	12,322	31,492
Depreciation				
At 1 August 2020	1,498	1,546	-	3,044
Charge for the year	1,144	1,221	-	2,365
Disposals	(1)	(49)	-	(50)
At 31 July 2021	2,641	2,718	-	5,359
Net book value				
At 31 July 2021	7,909	5,902	12,322	26,133
At 31 July 2020	7,200	5,759	-	12,959

The Company has leased plant and machinery on terms which are considered to meet the definition of finance leases and are accounted for accordingly. These assets together with those assets subject to hire purchase have a cost of £2.2m (2020: £2.2m) and net book value of £0.9m (2020: £1.3m).

15. Fixed asset investments

The cost of shares in group undertakings is £82 (2020: £82).

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Gymshark HK Ltd	Room 2901, 29/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong	Ordinary	100%
Gymshark USA Inc	Republic Plaza, Suite 3900, 370 17th Street, Denver Colorado, 80202, USA	Ordinary	100%

16. Stocks

	2021 £000	2020 £000
Finished goods	60,289	28,233

17. Trade and other debtors

	2021 £000	2020 £000
Trade debtors	20	211
Amounts owed by group undertakings	52,709	1,934
Other debtors	1,424	2,919
Prepayments and accrued income	4,478	2,971
	58,631	8,035

Amounts owed by group undertakings, attract interest at 3% above the sterling one-month London Interbank Offered Rate per annum and are repayable in full on demand.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2021

18. Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	43,325	70,377

19. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Bank loans	3,521	1,265
Trade creditors	28,051	14,950
Amounts owed to group undertakings	4,700	-
Corporation tax	2,807	906
Other taxation and social security	3,873	4,463
Obligations under finance lease and hire purchase contracts	-	303
Other creditors	696	1,669
Accruals and deferred income	24,806	32,333
	68,454	55,889

Amounts due to group undertakings attract interest at 3% above the sterling one-month London Interbank Offered Rate per annum and are repayable in full on demand.

At the end of the year ended 31 July 2021 and 2020 the company has an undrawn revolving credit facility, which allowed the company to draw down £15m (with an accordion of £10m) that was subject to 1.5% over LIBOR. The revolving credit facility expired on 16 December 2021.

20. Creditors: Amounts falling due after more than one year

	2021 £000	2020 £000
Bank loans	-	3,488

21. Loans

Analysis of the maturity of loans is given below:

	2021 £000	2020 £000
Amounts falling due within one year		
Bank loans	3,521	1,265
Amounts falling due 1-2 years		
Bank loans	-	3,488
	3,521	4,753

22. Deferred taxation

	2021 £000	2020 £000
At beginning of year	(1,022)	(27)
Charged to profit or loss	140	(995)
At end of year	(882)	(1,022)

The provision for deferred taxation is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	(1,022)	(1,022)
Origination and reversal of timing differences	(182)	-
Adjustments in respect of prior periods	322	-

23. Provisions

	2021 £000
Dilapidation provision	
Current	12
Non-current	304
Legal claims provision	
Current	10,000
At 31 July 2021	10,316

Information about individual provisions and significant estimates

Management has taken both external and internal legal advice in assessing known legal claims against the company. When a known or likely claim is identified, management assesses the likelihood of the claim and a provision is subsequently recognised, where it is considered probable that a settlement will be required.

The current year provision relates to management's best estimate of legal costs and associated settlements required in respect of the litigations ongoing within the company. The company expects the provision to be utilised within 12 months.

24. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
190 (2020 - 190) Ordinary A shares of £0.01 each	1.90	1.90
10 (2020 - 10) Ordinary B shares of £0.01 each	0.10	0.10
	2.00	2.00

The A shares rank pari passu in all respects to the B shares.

25. Reserves

Profit and loss account

This reserve records retained earnings and accumulated losses.

26. Capital commitments

The company had capital commitments of £7,500k (2020: £400k).

27. Pension commitments

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £962k (2020: £663k).

Contributions totalling £199k (2020: £114k) were payable to the scheme at the end of the year and are included in other creditors.

28. Commitments under operating leases

At 31 July 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £000	2020 £000
Land and buildings		
Not later than 1 year	1,816	898
Later than 1 year and not later than 5 years	6,920	6,721
Later than 5 years	5,880	7,561
	14,616	15,180

	2021 £000	2020 £000
Other assets		
Not later than 1 year	342	53
Later than 1 year and not later than 5 years	400	82
	742	135

29. Related party transactions

As a qualifying entity under FRS102 the entity is able to take advantage of the disclosure exemption under the requirements of Section 33 Related Party Disclosures paragraph 33.7.

Purchases from entities controlled by key management personnel

The company paid fees totalling £383k (2020: £420k, 2019: £Nil) to The Members Agency LLP, an entity controlled by members of the company's key management personnel. The Members Agency provides management representation for athletes and influencers.

At the year end there were outstanding balances payable to The Members Agency LLP of £9,758 (2020: £16,679, 2019: £Nil).

The Directors consider that the transactions with The Members Agency LLP are on an arm's length basis.

30. Post balance sheet events

A new £50m revolving credit facility loan agreement has been signed on 22 December 2021, which expires in December 2024.

The company has signed a lease for its first retail space in Regent Street, London. The space is expected to open in Autumn 2022. The lease liability of this premise is approximately £21.9m.

A restructuring plan was communicated to all employees in April 2022 which is expected to cost c.£2.5million. Included in the Future Developments paragraph is information about the restructuring, and the support offered to employees.

31. Ultimate controlling party

The company is a wholly owned subsidiary of Gymshark Holdings Limited, a company incorporated in England. The ultimate parent company is Gymshark Group Limited, also incorporated in England, which is under the control of Mr B Francis who is a director and the majority shareholder by means as an individual and via Francis Family Office Limited, of which Mr B Francis is also a director.

Gymshark Group Limited is the smallest and largest group of undertakings that the results of Gymshark Limited are consolidated into as at 31 July 2021.

The address of the registered office of Gymshark Group Limited is GSHQ, Blythe Valley Park, 3 Central Boulevard, Solihull, B90 8AB. Copies of the consolidated accounts for which Gymshark Ltd is a qualifying undertaking can be obtained from the registered office.